Extended Health Care Plan for Retired Employees

Annual Report for 2016

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the fifteenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the fifteenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan for Retired Employees

Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2016, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998,* and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Dale Daniels
Public Service Commission

Kevin Wilson
Ministry of Health

Dave Morhart
Ministry of Health

Carrie Bjola-Matileg
Public Service Commission

Gwen Mowbray
Public Service Commission

Terry Kuyek
Public Service Commission

Saskatchewan Government and General Employees'Union (SGEU):

Timothy McKay
Mac Trost
Kirk Hogarth
Barry Nowoselsky

Canadian Union of Public Employees (CUPE), Local No. 600:

Jacalyn Luterbach
Joe Murrell

Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees' Union (SGEU):

Advocate for Children and Youth (Office of the)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
eHealth Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Financial & Consumer Affairs Authority of Saskatchewan
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Livestock Services of Saskatchewan Corporation
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Provincial Archives of Saskatchewan
Public Interest Disclosure Commissioner (Office of the)
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Wildlife Assets Management Inc.
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees (CUPE), Local No. 600-3 and 600-5:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*.

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993*, for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Great-West Life Assurance Company provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to The Great-West Life Assurance Company on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the two-year contract effective January 1, 2016:

Single	$ 14.25	per month
Couple	$ 28.50	per month
Family	$ 35.65	per month

Funding

Effective October 1, 2002, funding for the Plan was established at a rate of 0.25 per cent of straight time annual payroll. For the period December 1, 2004, to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to $1,013,682.

Benefits

All PS/GE SGEU and CUPE 600 employees meeting the Definition of a Retiree are eligible to enroll in the plan.

Claims are paid on behalf of eligible family members and cover certain health and vision care benefits.

Definition of PS/GE SGEU Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

a) ceases to be employed in the bargaining unit;

b) is age 50 or more when employment ceases;

c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with departments, boards, commissions, and other agencies covered by Article 2 of the Collective Agreement;

d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;

e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and

f) was not terminated for cause.

Definition of CUPE 600 Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

a) ceases to be employed in the bargaining unit;

b) is age 50 or more when employment ceases;

c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with the Executive Government of Saskatchewan;

d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;

e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and

f) was not terminated for cause.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Extended Health Care Plan for Retired Employees has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public accounting standards.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Enclosed are the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2016, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 11, 2017

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Extended Health Care Plan for Retired Employees

Financial Statements

Year Ended December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Retired Employees, which comprise the statement of financial position as at December 31, 2016, the statement of operations and change in net assets and accumulated surplus, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Retired Employees as at December 31, 2016, and the results of its operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 11, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

Extended Health Care Plan For Retired Employees **Statement 1**
Statement of Financial Position

As At December 31

	2016	2015
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 13,138,443	$ 12,191,751
Employer Contributions Receivable	104,017	103,773
Other Receivables	17,072	15,619
	13,259,532	12,311,143
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	52,967	21,682
Net Assets and Accumulated Surplus (Statement 2)	$ 13,206,565	$ 12,289,461

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees **Statement 2**
Statement of Operations and Change in Net Assets and Accumulated Surplus

For The Year Ended December 31

	2016		2015
	Budget (Note 6)	Actual	Actual
Revenues			
Employer Contributions (Note 1)	$ 1,447,508	$ 1,421,211	$ 1,402,022
Interest Income (Note 3)	76,151	69,695	75,671
	1,523,659	1,490,906	1,477,693
Expenses			
Insurance Premium Subsidy (Note 1)	496,515	531,554	524,467
Administration (Note 5)	27,805	42,248	59,369
	524,320	573,802	583,836
Operating Surplus	999,339	917,104	893,857
Net Assets and Accumulated Surplus, Beginning of Year	12,289,461	12,289,461	11,395,604
Net Assets and Accumulated Surplus, End of Year (Statement 1)	$ 13,288,800	$ 13,206,565	$ 12,289,461

(See accompanying notes to the financial statements)

Extended Health Care Plan for Retired Employees **Statement 3**
Statement of Cash Flow

For The Year Ended December 31

	2016	2015
Cash Flow from (Used In) Operating Activities:		
Employer Contributions Received	$ 1,420,967	$ 1,411,155
Interest Income Received	68,242	75,671
Insurance Premium Subsidies Paid	(484,160)	(524,467)
Administration Expenses Paid	(58,357)	(41,387)
Cash Flow from Operating Activities	946,692	920,972
Net Increase in Due from General Revenue Fund	946,692	920,972
Due from General Revenue Fund, Beginning of Year	12,191,751	11,270,779
Due from General Revenue Fund, End of Year	$ 13,138,443	$ 12,191,751

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees
Notes to the Financial Statements

December 31, 2016

1. Description of the Plan

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002, pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy for eligible retired PS/GE SGEU members. The monthly premium subsidy for the year was $14.25 for a single policy, $28.50 for a couple policy, and $35.65 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25 per cent of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Employer Contributions

Contribution billings are done at the end of each month. Contributions are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, or cost or amortized cost.

The Plan's financial assets include due from the General Revenue Fund, contributions receivable and other receivables. The Plan's financial liabilities include accounts payable and accrued liabilities. The Plan has categorized and measured all its financial assets and financial liabilities at cost.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2016 was 0.55 per cent (2015 – 0.65 per cent).

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risk that arises from financial instruments is credit risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2016	2015
Due from General Revenue Fund	$13,138,443	$12,191,751
Contributions Receivable	104,017	103,773
Other Receivables	17,072	15,619

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions and other receivables as these are receivables from government agencies and were collected shortly after year end. The Due from General Revenue Fund account is minimal risk as the funds are held in the Plan's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. There has been no change in the risk exposure in 2016.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2016, PEBA charged the Plan $42,248 (2015 – $59,369) for administration expenses. Included in accounts payable and accrued liabilities is $5,573 (2015 – $21,682) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees. The budget was approved on December 22, 2015.